

Annex B

Statement of Work

Micro-Economic Foundations for Growth: The Competitiveness Initiative (CI)

SUMMARY

The purpose of this component is to support the adoption of a competitiveness strategy and program by the public and private sector of Iraq. To improve the country's standing in the global economy will require attention to the macro and micro-economic conditions affecting competitiveness. (Annex A focused on Macroeconomic reform). Attention at the industry cluster level is particularly required since networks of business compete more effectively than do individual firms. Finally, it requires a local process of private-public dialogue that serves as a self-correcting mechanism for promoting necessary conditions for competitiveness policy reform, institutional agility, transparency, efficient infrastructure, etc. During this transition there will be many obstacles and constraints facing Iraq and its industry cluster especially with the demise of protections and subsidies for favored sectors.

Initially, the contractor will undertake an evaluation of the private sector of the country to identify the nature, breadth and scope of the private sector in Iraq. It will assess the private sector's current size and capacity, identify business owners and private sector leaders, examine the overall environment for private sector growth, identify the relationships between and among industries and government. It will assess the strengths, weaknesses, opportunities, and threats to the countries' industries, examine current exports and the potential for exports and will look at the constraints to export sector growth.

Based on the results of the evaluation, the contractor will implement a *Competitiveness Initiative* focused on strengthening small and medium-sized firms, developing exports, generating employment and creation regional and international networks of buyer/supplier chains. Cluster development will be undertaken in at least four industry clusters. Workforce development will also be carried-out to assure that the public sector training and education institutions are oriented toward meeting the needs of an emerging and competitive private sector. A Competitiveness Council, made up of private sector leaders, will serve as a steering committee to prioritize and guide specific competitiveness initiatives.

OBJECTIVES

The general objective of this component is to increase the competitiveness of Iraq's businesses and their contribution to the economic growth of the nation. Indicators related to GDP growth, investment, and growth in exports will measure progress. The project will provide a Competitiveness Report that will benchmark and measure year-to-year progress in competitiveness-related indicators at the industry- and the country level.

The specific objectives are:

- To establish a Competitiveness (CI) led by the country's private sector leaders themselves and capable of analyzing constraints, preparing strategies, proposing action initiatives and engaging the government in effective, productive and practical dialogue;
- To assist government agencies in identifying 3-5 key initiatives that can have an impact on Iraq's competitiveness and assist in providing responsive and effective technical assistance in design and/or implementation of these;
- To work with at least 3 industry clusters in crafting competitiveness strategies for their industries and helping in the initial implementation of action initiatives;
- To accelerate the understanding within Iraq of the competitiveness challenges by working with think tanks, universities, the media and business associations to disseminate tools, information, and approaches.

The overall approach will draw upon the competitiveness methodologies developed by USAID and implemented in several countries around the world, most recently in Sri Lanka, Mongolia, Bulgaria, and Croatia. USAID's approach, entitled the "Manual for Action in the Private Sector," includes a competitiveness benchmarking exercise, a review of the business environment, work with selected industry clusters and engagement with the economic leadership of a nation (private and public) to implement practical initiatives leading to rapid economic growth.

This overall approach will be adapted to the unique environment of Iraq. The country is emerging from years of autocratic rule and strong central control of economic activity. It lacks an institutionalized process of private-public dialogue. Privatization of key state-owned enterprises will be needed. The new government will seek to open up its trade and investment linkages and to put into place the institutions promoting democracy, free enterprise and reliance on a market-driven private sector as the engine of economic recovery and growth.

Therefore, the Contractor will focus on the following tasks:

- Formation of a Competitiveness Council made up of predominantly private sector leaders (with some government representation) that will prioritize major constraints to rapid growth in investment, economic growth, employment and exports with a focus on the broad sharing of the benefits of this growth;
- Fostering an institutionalized dialogue process between the private sector and the public sector through this Council but also including other major stakeholders;
- Work with 4 industry clusters on the basis of self-selection (e.g. the willingness to convene, contribute counterpart LOE and provide counterpart financing or contributions for subsequent initiatives)
- Development of national and sector strategies, action plans, deliverables and results tied to specific timetables for delivery

- Identification and delivery of short term technical assistance (STTA) for the achievement of these results, beginning with assistance to the government in its investment promotion strategy and organization
- Commitment to placing Iraq's leaders and stakeholders in the driver's seat in terms of setting priorities, identifying constraints, developing action initiatives, identifying STTA needs, etc. as long as these are consistent with the overall objectives of the project and with USAID policies, regulations and guidelines
- Provide subcontracts to work with existing local networks of research institutes, academic faculties, business associations, consultants and other stakeholders, respecting the existing roles that these institutions play in advising the government
- Work with the economic press and media to disseminate the findings and contribute to the implementation of the proposed initiatives
- Work with cities outside the capital to develop regional competitiveness initiatives.

TASKS AND BENCHMARKS

Task 1: Institutionalization of effective private-public dialogue that goes beyond the interests of individual companies or groups and focuses on the broader business environment, including that for small businesses.

Activity 1—Develop and receive USAID approval on 3 month rolling work plan (3 M-RWP), with the analysis to be undertaken, technical assistance to be provided, due dates, and sources to be consulted.

- The first task has been to prepare a 3M-RWP. This RWP will be revised after the first meeting of the CI Board and be presented for USAID approval. This RWP will be subsequently revised after each meeting of the CI Board and will also take into account USAID guidance and feedback.

Activity 2--Organize a Competitiveness Council. This will serve as both a Board of Directors for the CI Project as well as an embryonic Business Roundtable that will be encouraged to take on a life of its own beyond the project period. Those leading it will decide on the exact name later. It will serve as a steering committee that will prioritize and guide specific competitiveness initiatives. It will be referred to here as the CI Board. The term CI will refer to the USAID project and the project staff.

- In Month 3, the team leader (who will devote a proportion of his time from his base in Washington or wherever, as agreed with the CTO) will communicate with Iraq's leaders that would be appropriate to serve on the CI Board and schedule a meeting for the first week of April. At this meeting, the objectives, functions, composition and operating

procedures would be agreed upon along with an initial list of key constraints and strategic priorities. The objectives, personnel and resources of the USAID project would also be presented and input from the CI board would be received.

- In Month 5, the COP and the Team Leader will moderate a second session of the CI Board that will elaborate in detail the action initiatives, timetable and responsible parties for approximately 10 priorities identified by Iraq's Leaders.
- In Month 6, after further elaboration, these will be presented to key government leaders from various ministries and agreements will be reached on action items to be undertaken.
- The CI will then design an action plan and technical assistance for the implementation of 4 initiatives in support of the CI Board action plan, including potential STTA and local procurement of analytic or other inputs. The CI Board will be briefed monthly.

Activity 3—Work with Industry Associations to enhance capacity for effective private-public dialogue and pro-active competitiveness action initiatives.

- The COP will meet with key industry associations and explain the objectives and operations of the CI to them. He will also meet with executives of key industry clusters related to the oil industry.
- The result of these meetings will be to prepare bi-monthly meetings of at least four industry clusters that would commission an industry competitiveness strategy that would include Gap Analysis, SWOT Analysis, Diamond Analysis, Vision Statement, Strategic Plan and Action Initiatives. The four industry strategies would be finalized in Month 3 of the project.
- STTA would be designed programmed to assist in the implementation of action initiatives for the four industry clusters and would be delivered over the course of the subsequent 6 months.
- Local contracts would be let to local consultants and/or research institutes to respond to the action plans of the four industry clusters mentioned above and would be delivered over the course of the subsequent 6 months (month 4-9 of the project).

Activity 4—CI Will Make Presentations to Private and Public Leadership in 3 Secondary Cities. The CI will organize presentations on secondary city competitiveness and give these to private and public sector leaders in at least three secondary cities, encouraging regional competitiveness initiatives (see Result 5 below).

- The COP and/or Team Leader will meet with mayors and industry leaders from three secondary cities selected in consultation with USAID and on the basis of self-selection based on demonstrated interest. The COP and Team Leader, accompanied by at least one of the CI staff, will travel to make presentations to the leadership of these cities and, if

desired by them, assist in setting priorities and helping them organize their own local competitiveness initiative.

Task 2: Government agencies benefiting from technical assistance will modify their practices and/or policies to provide an environment to further the country's competitiveness.

Activity 1—Moderate bi-monthly sessions with relevant private and public sector officials to focus on definition and achievement of at least 4 action initiatives, with potential project assistance.

- The CI will hire a specialist with experience in the government who understands the dynamics of reform and can help monitor and push forward those reforms that are identified by the CI.
- At the government's and USAID request, the Contractor will hire experts in foreign investment promotion strategy and organization, such as the ex-officials of the Irish Industrial Development Authority (IDA) to assist in advising the government and the project.
- Convene CI Board to develop a vision statement for Iraq's competitiveness, broad strategic priorities and specific action initiatives, some of which will require joint private-public action and others of which will fall mainly under the purview of the government. They will identify these but illustrative examples might be workforce development, export facilitation, investment promotion, SME development, and transparency initiatives such as creating a mandatory comment period prior to implementing new laws and regulations.
- Convene a joint session of the CI Board and government leaders, ideally chaired by the Prime Minister if not Deputy Prime Minister and composed of a Ministers (or Deputy Ministers) from the relevant cabinet agencies. At this session, the proposed initiatives would be discussed and decisions taken. It will be important that all parties receive the proposed initiatives *prior* to the meeting so that decisions can be taken and the focus can be on implementation.

Activity 2—Implement at least 4 reform initiatives, monitor and follow up on progress.

- Over the course of the ensuing year, the CI public sector reform specialist will follow up on at least 4 of the specified initiatives, manage the procurement of STTA and/or locally procured analytic inputs, identify potential delays and obstacles and notify CI and government officials of the problems while seeking ways to overcome them. This activity assumes the identification of champions within the government that are supporting these initiatives and also the support of USAID and the US Embassy. Examples of initiatives might be development of an FDI promotion strategy and organization or changes of specific legal or regulatory constraints.

Task 3: Private business associations and firms receiving technical assistance will improve their overall competitiveness in the world.

Activity 1—Make presentations to 5 industry clusters and work in-depth with at least four of them to develop competitiveness strategies and action plans. Presentations and moderation of strategy sessions may take place in 5 clusters but in-depth work will be done in four industry clusters due to limitations of STTA and budgets for local consulting and research. These four clusters will be chosen in conjunction with USAID. However, the more occasional coaching provided to other clusters may potentially achieve some results by the clusters themselves, even if not supported by STTA and local assistance.

- The COP will meet with the Chamber of Commerce, Employers Association, AMCHAM (when established), various associations, executives from the oil and supporting industries and other sector and regional representatives to present the CI initiative.
- The Team Leader, COP and CI private sector specialist (“Cluster Coordinator”) will moderate competitiveness presentations designed to elicit the key strategies and action initiatives in at least four industry clusters.
- STTA will be programmed with industry experts in these three areas to assist in the development of a strategic plan for the industry including specific action initiatives to be undertaken to be provided in month 5-6 of the project.
- Implementation of the action plan will be made in each of the three industry clusters, possibly including additional STTA and locally procured expertise.

Task 4: Citizens, particularly in relevant private and public sectors will have a better understanding of competitiveness and how Iraq and its industries can become more competitive.

Activity 1—Make presentations on Building the Competitiveness of Iraq to government officials, industry leaders, business associations, universities and research institutes.

- Approximately 20 presentations will be made to industry associations, government officials, universities, the economic press, research institutes and other stakeholders.
- Research on competitiveness challenges identified by the CI Board will be commissioned to local research institutes as well as international experts and the results will be widely disseminated to universities, research institutes, private sector associations, government officials and the economic press.

Activity 2—Work with the economic media to disseminate information on the competitiveness challenges facing the country and build support for reforms and initiatives needed to build competitiveness.

- The CI team will provide monthly reports on the CI to the economic press, provide reports, outputs, materials and video clips that may be relevant.

Activity 3—Work with universities, economic faculties and management training institutes to ensure better understanding of how Iraq can become competitive.

- The CI team will sign MOUs with 3 leading universities or institutes.
- The CI will commission their participation in relevant competitiveness research and consulting;
- CI will procure and endow them with a competitiveness library of approximately 30 relevant books and 100 articles.
- The CI will provide with them competitiveness workshops and presentations at their respective institutions.

Task 5: Competitiveness initiatives will be undertaken in 2 or more secondary cities outside the Capital.

Activity 1—Visit 2 secondary cities, make presentations on competitiveness and identify the most responsive leadership with which to design and then support their initiatives.

- The CI team will travel to at least 2 secondary cities (to be identified with USAID) and give workshops to local leaderships groups, making a determination as to which of these has the pre-conditions for cooperating on a secondary city initiative; if none do, visits to other secondary cities will be made until the team finds the appropriate counterpart;
- CI will moderate a strategy session resulting in action initiatives and then support these with STTA and local research and consulting expertise.

Benchmarks for the Competitiveness Initiative (Tasks 1-5)

The following will be benchmarks to measure progress towards achieving the stated results.

- a. The CI team will prepare a 3M-RWP to USAID that will include analysis to be undertaken, technical assistance to be provided, due dates and sources to be consulted. On a monthly basis, a brief 1-2 page report on the results of activities will be presented to USAID and to the CI Board.
- b. A series of workshops, conferences and individual training courses will be given to relevant groups and individuals:
 1. Investment promotion workshop and strategic plan provided to the government

2. 10 competitiveness workshops given to industry clusters, universities and government officials; and one national level presentation at a major conference.
 - a) 20 media events present competitiveness topics (radio, TV, press)
 - b) Competitiveness Report published and distributed four years consecutively, sponsored by the CI, a leading government agency and/or a leading business association;
 - c) 30 books and 100 major articles distributed to 3 local institutes or economics faculties;
 - d) Research contracts with local institutes or professors provided to study and present results on competitiveness of 3-5 industry clusters.
 - e) Counterparts from consulting firms, research institutes, executive training firms, and/or universities will be given versions of the competitiveness presentations and training sessions for presenters will be given.
- c. Guidance on competitiveness provided to USAID and periodic updates on the competitiveness situation from the USAID funded competitiveness survey are completed

The results of the initial competitiveness survey provided to USAID by Month 9 including original benchmarking report, bibliography, description of private-public dialogue, overview of business environment and initial review of 3 industry clusters; Monthly reports are submitted to USAID by the COP on progress; Other briefings are given as needed

- d. The general direction of USAID's intervention for the mid-term (30 months) is completed and agreed to between the consultant and USAID

By Month 27, the COP and CI Team Leader will prepare this outcome and present it in draft for review and comment to USAID.